Statement by Senator Feinstein in Support of Extending Tax Cuts for the Middle Class

September 23, 2004

Washington, DC – *The U.S. Senate today voted to approve an extension of tax cuts to benefit the American middle class. Following is the prepared Floor Statement by U. S. Senator Dianne Feinstein (D-Calif.) in support of this extension:*

"Mr. President, I rise today to offer my support for tax cuts for the American middle class.

This bill will do the following:

- **Extend the $1,000 per child tax credit through 2010;**
- **Eliminate the marriage penalty through 2010;**
- **Extend the expanded 10% income tax bracket through 2010;**
- **Provide one additional year of protection against the alternative minimum tax; and**
- **Extend through 2005 business tax credits that recently expired or will soon expire.**

Although I am disappointed that we could not provide tax incentives to additional energy related industries, such as open-loop biomass, many of these expiring business tax credits will benefit California companies; such as the research and development tax credit and the tax credit for electricity produced from wind energy.

But, the primary reason I support this bill is that it provides tax relief to the average American. These are the people who need the most relief. They are the ones most likely to spend their tax savings. And it is these expenditures that will assist in getting this economy off the ground.

I am supporting this conference report with a mixture of relief - that we recognize that the middle class deserves continued tax relief - and with concern as well, since we are in effect borrowing the money from our children and grandchildren to provide the tax breaks.

For the past three years this government has gone on a fiscal spending spree of unprecedented proportions – cutting taxes and increasing spending at such a rate that we now see the largest deficits in this nation's history.

This year alone we are expecting a budget deficit of more than $420 billion and a cumulative deficit of more than $2.3 trillion over the next ten years. (Source: CBO)

In contrast, President Clinton left office with a $236 billion surplus and a projected cumulative surplus of $5.7 trillion from 2001-2010. This year's deficit represents a $658 billion turnaround from 2000. (Source: CBO)

Last year, I introduced a bill that would rollback the President's 2001 tax cut for those who earn more than $311,000. By rolling back the top income tax rate from 35% to 38.6% on income, capital gains and dividends, we would generate $107 billion over the next 5 years according to the Joint Committee on Taxation. And if we had adopted my proposal as an amendment to this legislation we would pay for more than 73% of this tax break.

It is particularly distressing to me that this proposal, and others like it, have been defeated every time they have been offered.

This Congress and President must restore fiscal sanity to our budget and that includes the need for every citizen to share the burden.

Recent reports from the Congressional Budget Office, the Brookings Institute, and the Center on Budget and Policy Priorities have all described the bleak long-term budget outlook – one that this Congress cannot solve without taking decisive action to reduce our long term deficits.

In a recent study from the Congressional Budget Office, the agency warns that the burden of the federal debt will have a corrosive effect on the economy. The debt will slow the economy and is unlikely to bring the nation's long-term fiscal position into balance.

While I support this tax cut bill because it provides similar tax relief to the middle class that the President gave to the wealthiest American families in 2003, we need to take a very hard look at whether we can afford any additional tax cuts that are not supported by offsets.

As we all know, for every dollar we borrow, we incur interest and last year we paid a lot of interest. In FY 2003 we spent more than $318 billion in interest on the national debt. And, every dollar spent to pay for interest is a dollar not spent to pay for education, defense, infrastructure improvements, job development, or homeland security.

Additionally, the President's 2004 deficit will place us even further away from the important goal of addressing the looming crises in both Social Security and Medicare. And when the baby boomers begin to retire in 2010, we will be facing even more difficult fiscal times.

In 2003, we spent $1.2 trillion on Medicare, Social Security, and other entitlement programs. By 2009, we will be spending $1.6 trillion, 57% of the budget. And in 2014, we will be spending $2.1 trillion or 59%. (Source: Social Security and Medicare Trustee Reports)

We have all heard Federal Chairman Alan Greenspan call on Congress to restrain the growth of the federal budget deficit by adopting budget controls that would apply to new taxes as well as new spending. Mr. Greenspan has told the Senate Budget Committee that imposing such controls is "an essential element to restoring fiscal sanity."

Let us remember, that in 1998, following nearly 30 years of deficits and a 17-fold increase in federal debt from $365.8 billion to $6.4 trillion, bipartisan cooperation brought the budget back into balance once again. For the first time in more than a generation, some of the funds which would have gone to pay interest on the debt were instead spent actually paying down the debt.

Now, deficits and interest costs are growing once again.

Finally, while I am supporting the tax cut legislation now before us – because it recognizes the importance of helping the middle class, I believe it is critical that Congress restore fiscal discipline by paying for future spending increases and tax cuts.

Thank you."

###